

**Virgin Islands Department of Education  
FY 2019 Monitoring Resolution Report  
Onsite Monitoring Dates – 2/24/2020 – 2/27/2020**

**A. Program Management**

**Requirement Summary:**

An Insular Area shall ensure that projects undertaken using Consolidated Grant (CG) funds are allowable under applicable authorized programs. Personnel conducting CG activities should ensure the efficient use of Federal funds to accomplish the goals of approved CG activities.

Consolidated Grant Authority 48 U.S.C. 1469a  
EDGAR, 34 CFR 76.129(b), 76.132(a)(2)  
Uniform Guidance 2 C.F.R. 200.302  
Uniform Guidance, 2 CFR 200.403  
Uniform Guidance, 2 CFR 200.331(d)

**Issue:**

Insular Areas are required to ensure all CG funded activities are allowable under applicable authorized programs. To meet this requirement, grantees regularly communicate Federal statutory and regulatory requirements to subgrantees and routinely monitor grant funded activities to ensure that they are being implemented in alignment with an approved application. The Virgin Islands Department of Education (VIDE) informed the Department, and provided supporting documentation to demonstrate, that the Federal Grants Office (FGO) instructs local educational agencies (LEAs) and project leads on project activity allowability and holds monthly project lead meetings to ensure projects are properly implemented in accordance with their approved CG application.

However, VIDE staff provided contradictory statements by noting that LEAs determine CG project activities and are responsible for monitoring and evaluating their LEA CG projects. In addition, VIDE could not document implementation of their oversight standard operating procedures, as it relates to LEA oversight and could not provide evidence that LEA project lead feedback is incorporated into VIDE's program management practices.

**Required Action:**

Within 30 business days of receiving this report, to assure Federal funds are used solely for authorized purposes, VIDE must provide documentation that shows VIDE staff adhere to existing standard operating procedures (SOPs) and receive regular updates of LEA CG project implementation and VIDE provides regular technical assistance to LEAs and project leads.

**Documentation:**

On April 22, 2021, VIDE submitted Fiscal and Administrative Services October 2020 through January 2021 monthly reports. These monthly reports were developed by VIDE's Office of Federal Grants. VIDE also submitted a Fiscal Review PowerPoint presentation and a Technical Assistance Request Form. VIDE indicated that the Federal Grants Office provides regular monthly technical assistance and fiscal reviews to both LEAs and the project leads. A fiscal review was held on November 12, 2020. LEAs and project leads can request additional technical assistance at any time via the Technical Assistance

Request Form. The Federal Grants Office also ensures that both LEAs receive regular updates regarding LEA project implementation.

**Status:** Resolved

## **B. Evaluation**

### **Requirement Summary:**

An Insular Area is required to evaluate the effectiveness of the programs that it is implementing under the CG in meeting the purposes and objectives of the programs' authorizing statutes. An Insular Area should develop a mechanism for monitoring effectiveness and progress and be prepared to adjust the project as needed to maximize the impact of Federal funding.

Consolidated Grant Authority, 48 U.S.C. 1469a  
EDGAR, 34 CFR 76.132(a)(9)

### **Issue:**

A comprehensive approach to CG project evaluation and monitoring should be proactive, multi-layered, allow for mid-course corrections, and confirm alignment with CG requirements. VIDE reported implementing mid-course CG project evaluations that review the fidelity of implementation, expenditures, and adherence to project performance measures. However, VIDE could not document implementation of a comprehensive project evaluation and monitoring plan and currently delegates all evaluation responsibilities to project leads.

Although monitoring tools were submitted to the Department, they are program specific (i.e., 21st Century Community Learning Centers) and there is no corresponding evidence that they have been implemented, as the monitoring tools do not align with the program specific (i.e., Career and Technical Education) monitoring report provided to the Department. This suggests VIDE is currently not in compliance with the requirement that grantees evaluate if CG projects and activities are meeting the purposes and objectives in the authorizing statutes under which program funds are used and administered.

### **Required Action:**

Within 90 business days of receiving this report, VIDE must submit to the Department a comprehensive plan for FYs 2021-2022 CG program evaluation and monitoring by the State educational agency (SEA) (i.e., monthly, quarterly, and annual mechanisms to, formally and informally, evaluate CG projects). The plan should employ mechanisms to determine if project implementation is aligned with CG project and budget narratives and the CG project means for evaluating project outcomes chart.

### **Documentation:**

On April 22, 2021, VIDE submitted a Monitoring Plan and GM 1.4 Grants Monitoring and Reporting. VIDE indicated that they have a comprehensive plan to monitor and evaluate programs, as well a policy regarding programmatic monitoring to evaluate the performance of programs. VIDE said that, in order to fully implement its monitoring plan and risk assessment, they recently hired a Program Manager who is responsible for monitoring and compliance.

**Status:** Resolved

## **F. Use of Funds**

### **Requirement Summary:**

An Insular Area may only use CG funds for allowable costs, determined by the applicable program(s) as approved in the CG application and by the cost principles in the Uniform Guidance.

Uniform Guidance 2 C.F.R. 200.403

### **Issue:**

VIDE described how they ensure and monitor that CG funds are only used for activities, goods, or services that are allowable under applicable Federal programs using their financial management system in combination with on-site reviews. VIDE also submitted training materials illustrating some restrictions on expenditures under these Federal programs, as well as allocation tables showing the breakdown of budget allocation for services provided to students and teachers in public and non-public schools.

However, VIDE's procedures documentation did not include criteria by which the agency determines if expenditures are allowable – i.e., reasonable, necessary, and allocable to the program. Further, VIDE did not verify if training for LEAs and project leads covered such criteria.

### **Required Action:**

VIDE should develop and document procedures outlining the processes and controls utilized to ensure that funds are used only for allowable costs – i.e., those that are reasonable, necessary, and allocable to the program. Such procedures could help ensure consistent treatment of costs across CG programs and activities, allow for additional internal controls to be identified, and facilitate cost allowability training for new staff. Specifically, within 30 business days of receiving this report, VIDE must provide documented criteria for determining whether proposed expenditures are reasonable and necessary uses of CG funds and documented policies and procedures used to ensure CG expenditures are allocable to the program under which the funds are being used.

### **Documentation:**

On April 22, 2021, VIDE submitted the documents Grants Management (GM) 1.3 (Reviewing and Approving Requisitions) and GM 1.4 (Grants Monitoring and Reporting). GM 1.3 and GM 1.4 document the procedures used to determine whether expenditures are reasonable and necessary. VIDE stated that the Federal Grants Office reviews and approves all encumbrances in the financial system based on the appropriate policies and procedures, as well as the content of the approved Consolidated Grant application.

**Status:** Resolved

## **G. Period of Availability**

### **Requirement Summary:**

An Insular Area and its subgrantees may only charge a grant program for allowable costs incurred during the period of availability and any pre-award costs that have been authorized by the Department. Unless the Department authorizes an extension, the Insular Area shall liquidate all obligations incurred under the award not later than 90 calendar days after the end date of the performance period. If the Insular Area fails to obligate all funds by the end of the award year, it can “carry over” the remaining funds for a period of one additional fiscal year. Carryover funds must be used in accordance with the applicable statutes, regulations, and applications in effect during the carryover year. Any funds not obligated by the end of the carryover period shall be returned by the Insular Area to the Federal government as an unobligated balance. The Insular Area and its subgrantees must demonstrate an understanding of obligation and the period of liquidation and have in place written procedures for liquidating CG funds.

EDGAR, 34 CFR 76.709 and 76.710  
Uniform Guidance, 2 CFR 200.343(b)

**Issue:**

VIDE provided documentation of their schedule for allocating and expending Federal funds, including internal deadlines to ensure federal obligation deadlines are met. These internal deadlines provide LEAs and project leads sufficient time to process funds before the liquidation period closes.

Although VIDE shared a plan for meeting federal obligation deadlines, VIDE regularly draws down CG funds late and frequently submits requests for CG project amendments, Tydings waivers, late liquidations, and large carryover balances.

**Required Action:**

Within 90 business days of receiving this report, VIDE must provide written procedures for liquidating CG funds not later than 90 calendar days after the end date of the period of performance and evidence of training SEA and LEA staff as well as project leads on obligation and the period of liquidation requirements.

**Documentation:**

On April 22, 2021, VIDE submitted a Graduate School Training Roster, a Participant Guide Table of Contents, and a Fiscal Review PowerPoint. VIDE stated that they provide training to SEA and LEA staff on a regular basis and through Graduate School USA courses. The Fiscal Review PowerPoint indicates the content covered during SEA and LEA staff training, specifically regarding the period of availability. On November 30, 2021, VIDE submitted written procedures for liquidating CG funds not later than 90 calendar days after the end date of the period of performance. These procedures were developed by VIDE’s third-party fiduciary agent.

**Status:** Resolved

## **H. Financial Management**

**Requirement Summary:**

An Insular Area must use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for CG funds. In general, an Insular Area must expend and account for

Federal funds in accordance with the Insular Area’s laws and procedures for expending and accounting for its own funds. In addition, Insular Area financial management systems must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that funds have been used in accordance with applicable Federal statutes and regulations, and the terms and conditions of the CG award.

EDGAR, 34 CFR 76.702  
Uniform Guidance, 2 CFR 200.302(b)

**Issue:**

VIDE and the previous third-party fiduciary agent, BCA, utilized a specialized internal financial management system with unique identifying account numbers, MUNIS, for accounting and drawdown purposes. The system allows the FGO to review all expenditures made within their assigned projects to determine allowability, with the Federal Grants Director serving as a second reviewer to ensure accuracy. Budget modifications are reviewed by FGO staff and the Federal Grants Director, and BCA coordinates with the FGO and serves as the final modification reviewer. In this way, BCA ensures that the SEA avoids any discrepancies between MUNIS and the Federal financial management system, G5.

Although VIDE and BCA have procedures in place to properly expend and account for funds, because of missing documentation it is unclear if VIDE and BCA are tracing funds to a level of expenditures adequate to establish that funds have been used in accordance with applicable Federal statutes and regulations, and the terms and conditions of the CG award. For example, VIDE operates a cash-based accounting system for both U.S. Virgin Islands and Federal funds, but did not provide a description or SOP of the process. VIDE also involves several offices in financial management processes (Business, Budget, Procurement, Fixed Assets, Payroll, and Federal Grants), but did not clearly describe roles and responsibilities within VIDE. Further, the SOP submitted to document the expenditure approval process, “1.3 – Reviewing and Approving Requisitions,” does not include evidence of authorship and/or approval by BCA. Collectively, these documents would offer evidence that VIDE is complying with financial management requirements.

**Required Action:**

Within 30 business days of receiving this report, VIDE must provide a description or SOP of “cash-based accounting,” BCA’s SOP for approving expenditures, and documented functions of each office identified (Business, Budget, Procurement, Fixed Assets, Payroll and Federal Grants), illustrating the division of labor among offices.

**Documentation:**

On April 22, 2021, VIDE submitted functional statements outlining the division of labor among the offices of Business, Budget, Procurement, Fixed Assets, Payroll and Federal Grants. The functional statements document provides an explicit breakdown of responsibilities for each office. On May 4, 2021, VIDE submitted a description of “cash-based accounting” through their third-party fiduciary agent and SOP for approving expenditures at the requisition level. As McConnell & Jones LLP explains, “cash-based accounting” is the accounting practice of recording revenue only when cash has been drawn down from the Department’s G5 system and recording grants expenditure when vendor invoices are received, processed, and cash is simultaneously paid to the vendors.

**Status:** Resolved

## **J. Procurement**

### **Requirement Summary:**

An Insular Area shall ensure that it complies with applicable procurement requirements under the Uniform Guidance when procuring goods and services using Federal funds.

Uniform Guidance, 2 CFR 200.317-200.326

### **Issue:**

VIDE documented that relevant procurement procedures are in place for procuring goods and services using Federal funds. For example, a sample justification letter submitted by the St. Thomas/St. John District to the FGO demonstrated the requisition process for services. During the review, VIDE also described their competitive bidding process for determining the best available cost for vendors and contractors and how they compare shipping costs and monitor delivery status. Although VIDE described the various procedures and controls in place to ensure timely deliveries of any procurements and provided documentation of the SOP for managing open purchase orders, VIDE did not submit SOPs (which VIDE referred to during onsite discussions as Accounts Receivable Management (ARM) 4.0 and ARM 4.18) that pertain to procurement tracking and late delivery of goods and services. In addition, while VIDE submitted documentation outlining the process for cancelling orders if not fulfilled within 45 days, the documentation did not account for procurements which arrive after cancellation.

Furthermore, although VIDE clarified that legal counsel reviews agreements and/or contracts for legal sufficiency, it is unclear how their review safeguards against excessive spending and promotes compliance with procurement requirements.

### **Required Action:**

VIDE must closely follow all local procurement processes and those rules must be consistent with the standards in 2 CFR 200.318-200.326. Within 30 business days of receiving this report, VIDE must provide a written description of what a legal sufficiency review includes, as conducted by VIDE's legal counsel and the SOP documents ARM 4.0 and ARM 4.18.

### **Documentation:**

On April 22, 2021, VIDE submitted a written description of what a legal sufficiency review includes, as conducted by VIDE's legal counsel. VIDE states that legal sufficiency means that the document has been reviewed and determined to be in compliance with applicable statutes, regulations, and procedures at the federal, state, and local levels. Legal counsel reviews drafts of professional development, service, and supply contracts and transmittal letters, as well as legislation, policies, procedures. On November 30, 2021, VIDE submitted a revised accounting SOP on tracking purchase orders as developed by McConnell & Jones, the third-party fiduciary agent.

**Status:** Resolved